

Republika Srpska Power Company Scandal

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Damning report alleges that state-run power company bosses deprived the economy of 90 million US dollars a year.

Republika Srpska, RS, has been rocked by a financial scandal after a major state-owned company was accused of mismanagement and theft by the Office of the High Representative for Bosnia-Herzegovina, OHR.

On February 26, High Representative Paddy Ashdown sacked Elektroprivreda (Electric Power Republika Srpska, EPRS) general director Svetozar Acimovic, and the EPRS executive board was dismissed en masse by the RS government the following day.

Ashdown has since called on the authorities to ensure that legal proceedings are initiated against all responsible officials.

But OHR believes that the RS government is as much to blame for the crisis as EPRS, as both have long opposed the privatisation of the institution.

The dismissals came after the February 25 publication of a damning audit report on the state-run firm, which was commissioned by the OHR. It accuses the company of depriving the economy of millions of konvertible marks through mismanagement.

Deputy high representative Donald Hays told the media that the findings of the report "undermined the value of public company and business" and claimed that the officials concerned had exceeded their authority. "Poor management and conflict of interest have cost this country at least 166 million convertible marks (91 million US dollars) a year - but that is just the tip of the iceberg," he said.

"This is a story of theft, poor management and neglect," he said, adding that the auditors' findings "pour shame on this company".

But Acimovic categorically denied that such a large amount of money had been lost. "The real sums are significantly smaller than the mentioned 166 million convertible marks," he told the media.

The report also voices concern over 71 million dollars which were transferred from EPRS' headquarters to its regional offices in Trebinje, and the Gacko and Ugljevik power plants. The auditor suspects that this money was used inefficiently.

The company has also been criticised for its apparently poor record in payment collection. The report alleges that instead of recovering debts from some companies in cash, it accepted other forms of reimbursement, leading to losses of at least 28 million dollars.

The report is the latest battle between the RS authorities and the international community over privatisation. The former has claimed that it was not in the best interests of the people, citing a possible increase in prices.

But the international community claimed EPRS was making heavy losses and employing more than twice the number of workers it actually required - and needed the cash injection that privatisation would bring.

The arrival of Paddy Ashdown in May 2002 upped the ante. He began to insist on the sale of state-run companies across the region, and accused the authorities of holding back because they feared losing economic power as a result - a view backed by many independent analysts.

Both the ruling party and the opposition refused to countenance privatisation. Politicians and EPRS managers also won the trade unions over by suggesting that a sell-off would mean the loss of the more than half of the company's 7,500-strong workforce.

In October 2001, with this conflict playing out in the background, EPRS invited bids for a tender to sell its surplus energy elsewhere in the region. It received only one offer, from London-based Energy Financing Team, ETF. This transaction was one of many incidents that aroused the suspicions of the OHR.

The auditor's report reveals that the EFT profits from the re-sale of energy to Montenegro peaked at a massive 40 per cent last year, and predicts that - if current practices continue - the 2003 profits may climb even higher.

"[These profits are] astronomical when compared to more typical energy profits of between one and five per cent," the report reads.

However, the EFT has dismissed the allegations, reassuring the OHR that the tender was negotiated according to both RS and Bosnia-Herzegovina law under conditions approved of by the European Union.

In a statement, the company said, "EFT requests that a new investigation be carried out into these accusations, to be led by some of the largest international auditing companies, the results of which should be presented to the general public".

Acimovic also rejected the auditor's criticism of the bidding process for the tender. "A committee of experts evaluated the offers we received and judged the EFT's to be the most favourable - a decision that gained the then-premier Mladen Ivanic's assent," he said.

Current RS prime minister Dragan Mikerevic told the media that while he had not yet seen the full audit report, his government would "act according to its competency", adding that the full responsibility for the scandal must rest with the EPRS management alone.

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